

Bharat Electronics

BSE SENSEX 77,043 S&P CNX 23,312



Stock Info

Bloomberg	BHE IN
Equity Shares (m)	7310
M.Cap.(INRb)/(USDb)	2018.6 / 23.3
52-Week Range (INR)	341 / 172
1, 6, 12 Rel. Per (%)	-7/-10/42
12M Avg Val (INR M)	8578

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	234.2	274.6	323.4
Sales Gr. (%)	16.1	17.3	17.8
EBITDA	58.8	68.9	81.2
EBITDA Margin (%)	25.1	25.1	25.1
Adj. PAT	48.2	57.6	69.6
Adj. EPS (INR)	6.6	7.9	9.5
EPS Gr. (%)	19.9	19.6	20.8
BV/Sh. (INR)	27.7	34.5	42.6

Ratios

RoE (%)	23.8	22.9	22.4
RoCE (%)	26.5	25.4	24.7
Payout (%)	14.5	14.5	14.5

Valuations

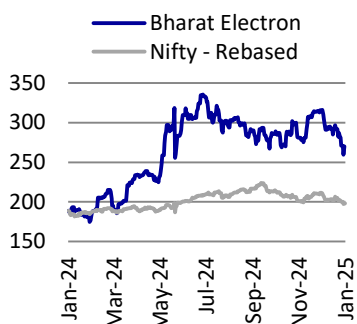
P/E (x)	41.9	35.0	29.0
P/BV (x)	10.0	8.0	6.5
EV/EBITDA (x)	32.0	26.6	21.9
Div. Yield (%)	0.3	0.4	0.5

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	51.1	51.1	51.1
DII	20.2	20.6	24.2
FII	17.3	17.4	17.2
Others	11.4	10.8	7.5

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR276 TP: INR360 (+30%) Buy

Well equipped to benefit from defense ordering

- We continue to remain positive on Bharat Electronics (BEL) given 1) its market leadership in defense electronics and ability to benefit from defense indigenization as well as from the upcoming large defense platform orders (QRSAM, MRSAM, Tejas Mk1A, naval platforms, etc.), 2) a strong order book of INR746b as of 2QFY25-end, providing healthy visibility on revenue, 3) stable margins and control over working capital, and 4) healthy return ratios.
- Despite BEL's overall FY25YTD orders of INR103b being lower than last year's, we expect the company to gain from the further ramp-up in defense orders in the coming months. The recent DAC approvals augur well for the sector and emphasize the government's focus on defense indigenization. The company is continuously expanding its presence across new areas via its SBUs. It is also focusing on improving the share of exports and non-defense projects in the overall order book.
- We tweak our estimates to bake in slightly lower ordering estimates and roll forward our TP to 35x Mar'27 estimates. Reiterate BUY with a TP of INR360.

Key investment thesis

Market leader in defense electronics

BEL is a market leader in the highly specialized defense electronics market with nearly 60% share. In the overall defense market, the company has consistently improved its revenue market share over the last four years, reaching 12.8% in FY24. This was led by the government's continued focus on defense indigenization and BEL's focus on the Ministry of Defence (MoD)'s Make-I, Make-II, and Make-III projects involving indigenous solution development, with emphasis on systems, sub-systems, and services. With various large platform orders likely to be finalized over the next 1-3 years (Ref Exhibit 3), we expect defense PSUs to garner a larger share of ordering, and within that we expect BEL to benefit from the increased scope of its offerings via indigenization. We thus expect BEL's market share to continue growing in the coming years and anticipate that it will clock faster growth than the growth in capex in the defense market.

Recent DAC approvals augur well for the sector

Over the past 12 months, BEL has been a potential vendor for multiple AoNs granted by DAC (Ref Exhibit 4). While the share of private companies in defense orders is increasing, BEL has the potential to secure larger-sized orders by leveraging its strong domain knowledge and core competencies in defense electronics. Over the years, the company has also developed a strong vendor base and expanded its offerings. BEL has improved its procurement from Indian MSEs to 37.3% in FY24 from 32.0% in FY23.

Expect BEL to benefit from the increased scope of work across platforms

Various large platform projects by DRDO are lined up or in the process of being finalized in the next 1-3 years. As a PSU and a market leader in defense electronics, we anticipate that a major share of orders for radar systems, TR modules, EW systems, and subsystems related to these projects will be awarded to BEL. The company is actively pursuing a larger share of naval projects related to defense electronics. Similarly, for radars, BEL is qualified for Uttam AESA radar integration into Tejas MK1 and later for Tejas MK2. The company anticipates a significant influx of orders from the QRSAM system during FY26. We, thus, believe that with rising volumes and higher indigenization, BEL would be able to expand its share across platforms.

Budget expectations for the defense sector

The defense budget has seen a YoY growth in absolute terms over the years, and capital allocation usually forms a third of the total defense budget. However, in the past few years, post-Covid, budget allocation for defense as a % of GDP has declined and has been hovering around 1.5-1.6%. To achieve a target defense turnover of USD25b, it is essential to increase defense spending to 1.8-2.0% of GDP. In the Union Budget, we will keenly monitor the allocation for the defense sector and will seek a more expedited finalization of large platform orders from the MoD.

Expectation of a revival in inflows in 2HFY25

BEL had maintained its order inflow target of INR250b for FY25 at the time of its 2QFY25 results. Inflows for FY25YTD stood at INR100b, and the ask rate for 4QFY25 is high at INR150b. To achieve that target, the company expects major orders to originate from radars, the EW suite, Atulya, and Shakti EW, as these projects are in the final stages of negotiation and will be awarded in 2HFY25. Even if, due to unforeseen circumstances, these orders are pushed back to 1QFY26, our revenue estimates for FY25 should not change meaningfully given BEL's strong order book position. Management is also expecting QRSAM order inflow to come through during FY26.

Progress on SBUs to contribute to revenue

In Jan'24, BEL increased its Strategic Business Units (SBUs) count to 29 from 24 in the previous year. EW Land Systems SBU, Hyderabad, is the biggest SBU that has now started generating revenue, and the expected revenue for FY25 is around INR15b. The remaining four SBUs that were formed in Bangalore are the Seekers SBU for RF and IR seekers, the Arms and Ammunition SBU, the Network and Cyber Security SBU, and the Unmanned Systems SBU. The target set for FY25 for all the Bangalore-based SBUs is between INR2.5b and INR3.0b. Over 2-3 years, each of these SBUs is likely to contribute INR10b+ in revenue annually for the company.

BEL's strategic tie-ups in CY24

The company has remained focused on strategic alliances, technology tie-ups, and MoUs, as well as on in-house R&D to provide complete solutions and platforms, thereby enhancing its market access and facilitating entry into new areas. In FY24, the company filed 146 IPRs (including 82 patents) in the areas of communications, artificial intelligence, radars, antennae, embedded systems, software, and command

& control system domains and was granted 161 patents in the year, taking the total count to 208.

Financial outlook

We tweak our estimates and expect a sales/EBITDA/PAT CAGR of 17%/18%/20% over FY24-27. We expect OCF/FCF to remain strong over FY25-27, led by control over working capital. Further, the company had a cash surplus of INR110b (as of FY24), providing scope for further capacity expansion. We will reevaluate our estimates if overall ordering in the defense sector remains weak over the next few quarters.

Key risks and concerns

A slowdown in order inflows from the defense and non-defense segments, intensified competition, further delays in the finalization of large tenders, a sharp rise in commodity prices, and delays in payments from the MoD can adversely impact our estimates on revenue, margins, and cash flows.

Valuation and recommendation

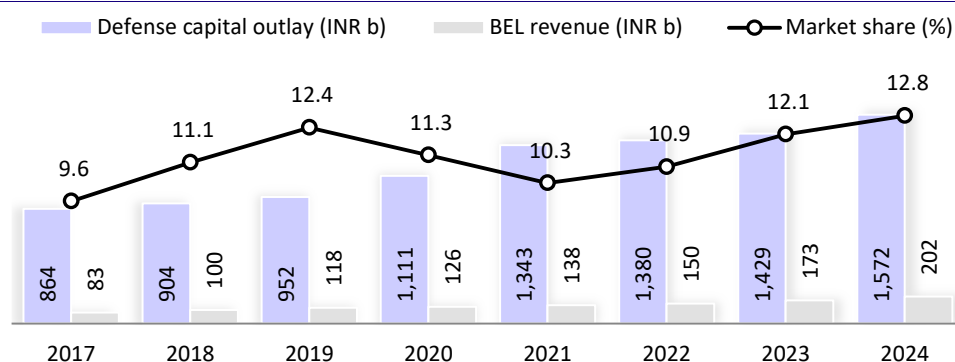
BEL is currently trading at 35.0x/29x on FY26E/FY27E EPS. We tweak our estimates to bake in slightly lower ordering estimates and roll forward our TP to 35x Mar'27E.

We reiterate our BUY rating on the stock with a TP of INR360.

Market leader in defense electronics

BEL has a revenue market share of 12.8% in the overall defense market and a market share of nearly 60% in the highly specialized defense electronics segment. The company is actively participating in the MoD's Make-I, Make-II, and Make-III projects involving indigenous solution development and focusing on sub-systems, systems, and services. To ensure that the company continues to maintain its leadership, BEL has diversified into areas such as network & cyber security, unmanned systems, RD seekers, and arms & ammunition. As a key player in defense electronics with technology competencies, innovation prowess, and a strong balance sheet, we expect BEL's market share to grow further by 30-40bp and surpass the 13% mark in the next 3-4 years.

Exhibit 1: BEL's revenue market share is recovering post-Covid, and is likely to improve 30-40bp in 2-3 years and continue to maintain that in the future



Source: Company, Industry, MOFSL

Exhibit 2: BEL leads the market, covering the majority of the defense platforms

Key Players	Radars	Missile & telemetry	Electronic warfare	Avionics	Counter drone systems	Satellite and space	Hydro/meteorology	Others*
Bharat Electronics Ltd.	✓	✓	✓	✓	✓	✓	✓	✓
Astra Microwave Product Ltd.	✓	✓	✓		✓	✓	✓	✓
Data Patterns (India) Ltd.	✓	✓	✓	✓		✓	✓	✓
Centum Electronics Ltd	✓	✓	✓	✓		✓		✓
Alpha Design Technologies Private Ltd.	✓		✓	✓		✓		✓
Tata Advanced Systems Ltd	✓	✓	✓	✓		✓		✓
DCX Systems Ltd.	✓	✓	✓					✓
Paras Defence and Space Technologies Ltd.		✓	✓	✓				✓

Source: Industry, Companies, MOFSL

Future large platforms in the works

Several major platform projects by DRDO are currently under development or are expected to be finalized within the next 1-3 years. While orders from the Indian Air Force (IAF) and Indian Navy (IN) may not be directly placed with BEL, the company, as a PSU and a market leader in defense electronics, is anticipated to secure a significant share of orders related to radar systems, TR modules, EW systems, and other subsystems associated with these projects. BEL is expanding its presence across naval platforms and is also qualified for a large QRSAM order worth nearly INR250b to be finalized by FY26E. On the aircraft side, for Uttam AESA radar, BEL is among the two companies in the fray for supplying radars equipped with 980+ TR modules, thereby providing a higher detection range from 51st aircraft of Tejas Mk1.

Exhibit 3: Upcoming/in-process projects from all platforms

Category	Project	Est. Proj. Value (INR b)	Quantity (units)	Comments
INDIAN AIR FORCE				
Aerospace Projects	Tejas Mk1a	480	83	❖ Order placed. Delivery was delayed due to a supply chain issue on GE's end.
	Tejas Mk1a	650	97	❖ To be placed
	Tejas Mk2	na	108	❖ The first prototype is likely in Mar'26 and mass production is likely by May'29E. Sanctioned INR100b for the development of the aircraft and to run trials.
	LUH	na	110	❖ Delivery would begin from 1QFY26. Delay due to supply of flight control system or autopilot software purchased from the France-based Safran Electronics
	LUH	97	197	❖ Deal with Russia canceled. But will go to HAL for indigenized manufacturing.
	Su30 upgrade	260	240	❖ Delivery in eight years
	LCH	500	156	❖ Prachand to replace Chetak and Cheetah.
INDIAN NAVY				
Submarine Projects	Project 75I	NA	6	❖ Six submarines to be awarded to a single bidder
	Scorpene submarines	270	3	❖ Follow-on to the existing P-75 program
	AIP plugs	19.9	na	❖ Order received on 30th Dec 2024 by MDL
Shipbuilding Projects	Project -17 Alpha Frigates	na	na	❖ Potential repeat orders from IN
	Next-Generation Corvette and Destroyers	>340	na	❖ Timelines and details under evaluation
Coast Guard and Offshore	Additional ships	na	31	❖ Ships for the Coast Guard, including smaller vessels
	PRPP, DSF II & PRP 8 Grade A	65.2	na	❖ Order from ONGC
INDIAN ARMY				
Network-centric Warfare	Drone-based ELINT system	na	na	
	QRSAM	250-300	na	❖ Fresh trials to be completed in CY26E
	Shakti EW	20	na	
	Low-Level Transportable Radars (LLTR)	25	na	❖ Ashwini Radar
	ATULYA	20	na	

Source: Industry, MOFSL

Recent DAC approvals augur well for the sector

The past 12 months of DAC approvals indicate that BEL is a potential vendor for multiple AoNs. While private companies' share in defense orders is increasing, BEL has the benefit of being awarded large orders leveraging strong domain knowledge and core competencies. However, to raise the indigenized component in its products, BEL has increased its procurement from Indian MSEs from 32% in FY23 to 37.3% in FY24.

Exhibit 4: Recent DAC approvals announced by the MoD

Date	Approval by DAC	Procurement category	Value (INR b)	Potential beneficiaries
16-Feb-24	❖ Procurement of a new generation of Anti-tank mines. AoN accorded for procurement of Canister Launched Anti-Armour Loiter Munition System.	Buy (Indian - IDDM)	846	BDL
	❖ AoN has been accorded for procurement of Air Defence Tactical Control Radar.	Buy (Indian - IDDM)		BEL, AMPL
	❖ AoN for procurement of Medium Range Maritime Reconnaissance and Multi-Mission Maritime Aircraft	Buy and Make		Airbus & TASL
	❖ AoN accorded for procurement of Active Towed Array Sonar. AoN for procurement of Heavy Weight Torpedoes. AoN for sustainment support through Follow On Support (FOS) and Repair Replenishment support through Follow On Supply Support (FOSS) for 24 MH60R aircraft	Buy (Indian)		BDL, HAL
	❖ AoN for procurement of Flight Refueller Aircraft. AoN for procurement of Software Defined Radios.	Buy (Indian - IDDM)		HAL, BEL, AMPL
29-Jul-24	❖ Procurement of Advanced Land Navigation System (ALNS) for Armoured Fighting Vehicles (AFVs) of the Indian Army	Buy (Indian - IDDM)	NA	BEL (declared)
	❖ AoN for procurement of 22 Interceptor Boats			GSL, GRSE, MDL
03-Sep-24	❖ Procurement of Future Ready Combat Vehicles	Buy (Indian - IDDM) / Buy (Indian)	1,447	BEML, Bharat Forge
	❖ AoN for procurement of Air Defence Fire Control Radars, Forward Repair Team (Tracked)	Buy (Indian - IDDM) / Buy (Indian)		AVNL (declared)
	❖ AoNs accorded for the procurement of Dornier-228 aircraft, Next Generation Fast Patrol Vessels having high operational features in rough weather conditions, and Next Generation Offshore Patrol Vessels.	Buy (Indian - IDDM) / Buy (Indian)		HAL, GSL, GRSE, MDL, CSL
03-Dec-24	❖ AoN for procurement of 31 New Water Jet Fast Attack Crafts (NWJFACs) for the Indian Navy		218	GRSE, MDL, CSL, L&T, GSL
	❖ AoN for procurement of 120 Fast Interceptor Craft (FIC-1)			L&T, GSL
	❖ AoN for procurement of Electronic Warfare Suite (EWS) comprising External Airborne Self Protection Jammer pods, Next Generation Radar Warning Receiver, and associated equipment for Su-30 MKI Aircraft			BEL, AMPL
	❖ AoN for procurement of 6 Advanced Light Helicopters (ALH) M (MR) for the Indian Coast Guard.			HAL
	❖ Approval for the overhaul of T-72 & T-90 tanks, BMP- and engines of Sukhoi fighter aircraft			HAL, BEL

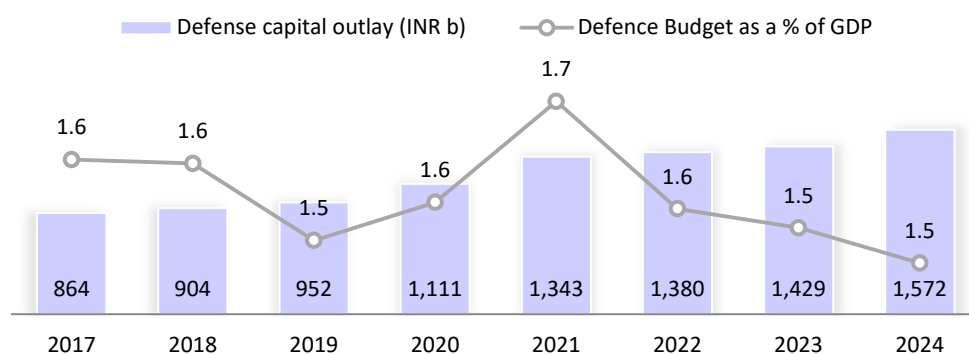
Source: PIB, MOFSL

Budget expectations

The defense budget has experienced a YoY growth in absolute terms over the years, and capital allocation usually forms a third of the total defense budget. However, in the past few years, post-Covid, budget allocation for defense as a % of GDP has declined and has been hovering around 1.5-1.6%. In the past 10 years, it peaked in FY22, reaching 1.7%, and has been contracting YoY ever since, reaching 1.5% in FY24. To achieve a target defense turnover of USD25b, the government needs to increase its defense spending to 1.8-2.0% of GDP.

In the modernization journey of the armed forces, Defense Minister Rajnath Singh and the secretaries of the MoD unanimously decided to observe CY25 as the 'Year of Reforms.' This initiative aims to transform the armed forces into a technologically advanced, combat-ready force capable of multi-domain integrated operations. In the Union Budget, we will keenly monitor the allocation for the defense sector and will seek a more expedited finalization of large platform orders from the MoD.

Exhibit 5: Capital outlay vs. defense budget allocation as a % of GDP



Source: Industry, MOFSL

Expectation of a revival in inflows in 2HFY25

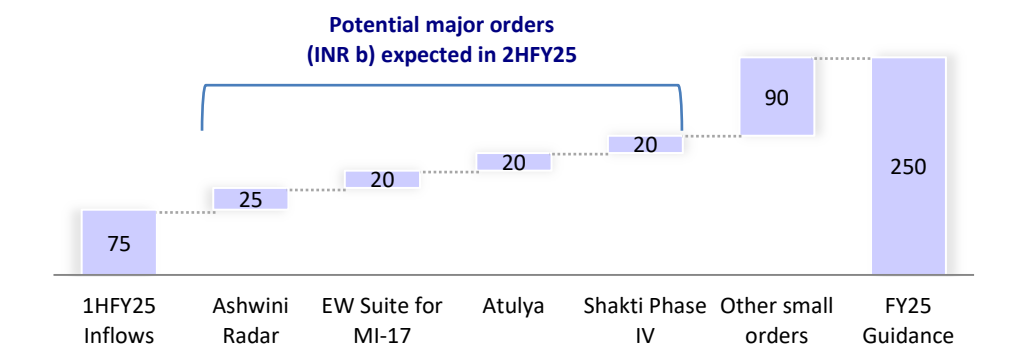
BEL reported order inflows of INR100b in FY25YTD. BEL had maintained its order inflow target of INR250b for FY25 at the time of its 2QFY25 results. The company expects major orders to originate from radars (INR25b), the electronic warfare suite (INR20b), Atulya (INR20b), and Shakti EW (INR20b), as these projects are in the final stages of negotiation and are expected to be awarded in the later part of FY25. Even if, due to unforeseen circumstances, these orders are pushed back to 1QFY26, our revenue estimates for FY25 should not change meaningfully given BEL's strong order book position. BEL has seen such an uptick in inflows in the past as well. Previous trends and the management's confidence stand as a testament to the company's ability to fulfill its targets.

Exhibit 6: BEL's order inflows announced as of FY25YTD

Date	Order	Amount (INR b)	Accumulated Orders (INR b)	Customer
13-Jan-24	❖ Major orders include communication equipment, electro-optics, upgrades for the satcom network, radar & fire control system, spares, services, etc.	5.61	103.62	
23-Dec-24	❖ Major orders include platform screen doors for metro rail, radars, communication equipment, jammers, seekers, upgraded submarine sonar, upgraded satcom terminals, test stations, spares, services, etc.	9.73	98.01	
09-Dec-24	❖ Major orders include maintenance of the Akash Missile System, telescopic sights for guns, communication equipment, jammers, electronic voting machines, test stations, spares, services, etc.	6.34	88.28	
08-Nov-24	❖ Major orders received include Laser Range Finders, communication equipment, vessel communication and support systems, test equipment for guns, spares, services, etc.	5.00	81.94	
07-Oct-24	❖ Major orders received include EMI shelters, AMC for Integrated Air Command and Control system nodes, Upgrade/spares for gun systems, spares for radars, communication systems, etc.	5.00	76.98	
11-Sep-24	❖ Supply of Indigenous Multi-Function Radar in X Band	8.5		Cochin Shipyard Limited (CSL)
	❖ Includes navigational complex systems for ships, thermal imagers, communication equipment, fire control systems, gun control systems, spares, services, etc.	3.05	70.75	
22-Aug-24	❖ Major orders comprise Combat Management System, Communication equipment, Stabilized Optronic Pedestal, Upgrades, Spares, Services, etc.	6.95	59.2	
28-Jun-24	❖ Supply and installation of an advanced, indigenously designed, and developed Sighting and Fire Control System (FCS) for the upgrade of BMP 2/2K Tanks of the Indian Army, along with a comprehensive Engineering Support Package.	31.72	48.03	Armored Vehicles Nigam Limited (AVNL)
	❖ Doppler Weather Radar, Classroom jammers, spares and services, etc.	4.81		
22-May-24	❖ Includes AMC of Akash Missile System, Combat Management System for Ships, Missile Fire Control System for ships, Laser Range Finders, Communication Network Centre, etc.	11.50		

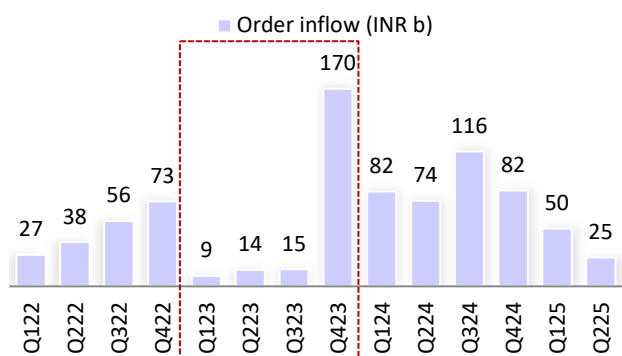
Source: Company

Exhibit 7: Potential major orders expected in 2HFY25E



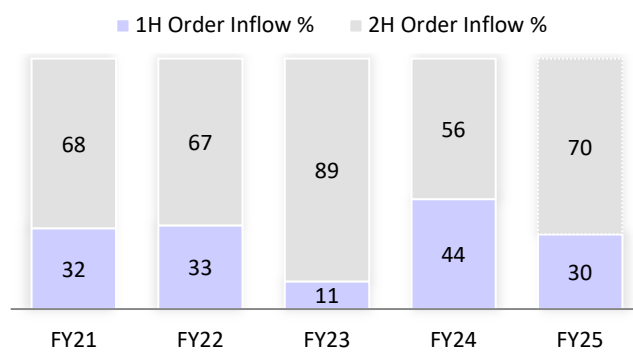
Source: Company, MOFSL

Exhibit 8: The previous recovery in 2H stands as a testament



Source: Company, MOFSL

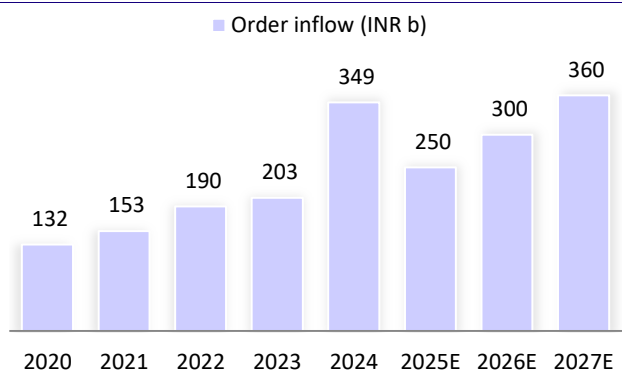
Exhibit 9: Inflows have always been higher in 2H



Source: Company, MOFSL

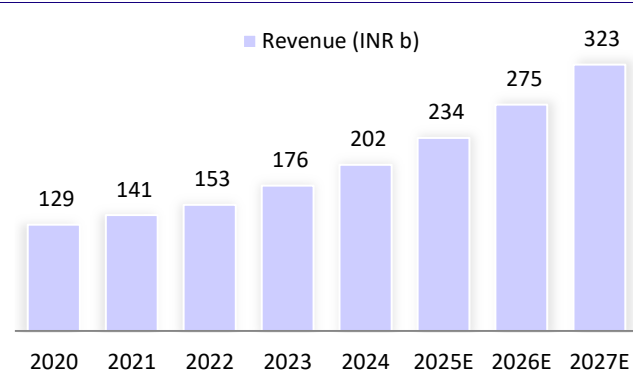
Since the past few quarters, management has spoken about orders for Ashwini Radar soon coming to them; however, Ashwini Radar had become a multi-bid order, which led to delays in order inflows. However, due to a prior commitment by DRDO to BEL, the company has recently been declared L1 for the same. Besides this, orders for QRSAM are expected to originate from FY26 onwards. We expect order inflows of INR250b/INR321b/INR385b for FY25/26/27, while revenue is likely to clock a 19% CAGR over the same period.

Exhibit 10: We expect order inflows of INR250b/300b/360b Sover FY25-27E



Source: Company, MOFSL

Exhibit 11: Revenue to clock a CAGR of 17% over FY24-27E



Source: Company, MOFSL

Progress on SBUs to contribute to revenue

In Jan'24, BEL increased its SBU count to 29 from 24 in the previous year. EW Land Systems SBU, Hyderabad, is the biggest SBU that has now started generating revenue, and the expected revenue for FY25 is around INR15b. This high expectation of revenue is because this specific SBU used to be a part of another existing SBU (SBU of EW), which was later streamlined into a separate SBU. The remaining four SBUs were created in Bangalore. One of them is the Seekers SBU for RF and IR Seekers. Revenue from this SBU is anticipated to be around INR3.5-4.0b for FY25. Other SBUs are the Arms and Ammunition SBU, the Network and Cyber Security SBU, and the Unmanned Systems SBU. Targets set for FY25 for all the Bangalore SBUs are between INR2.5b and INR3.0b. These SBUs were formed because they had the potential to grow independently, and over 2-3 years, each of these SBUs is expected to contribute more than INR10b in revenue annually for the company.

BEL's strategic tie-ups in CY24

BEL has remained focused on strategic alliances, technology tie-ups, and MoUs as well as on in-house R&D to provide complete solutions and platforms, thereby enhancing its market access and facilitating entry into new areas. In FY24, the company filed 146 IPRs (including 82 patents) in the areas of communications, artificial intelligence, radars, antennae, embedded systems, software, and command & control system domains, and was granted 161 patents in the year, taking the total count to 208.

Exhibit 12: Strategic tie-ups by BEL over the past 20 months

Strategic Partner	Area of Cooperation
Space Applications Centre (SAC), ISRO	❖ Collaborate, indigenise, and develop infrastructure for manufacturing space-grade Travelling Wave Tube Amplifiers (TWTAs) in India
ARIES	❖ Jointly develop image processing techniques and software for data analytics solutions
Reliastat Inc.	❖ To collaborate in the area of space products
Advanced Weapons and Equipment India Limited (AWEIL)	❖ Joint development and production of Air Defence Guns, Artillery Guns, and upgrades for Indian Defence and export markets
Armoured Vehicles Nigam Limited (AVNL)	❖ Joint development and production of Armoured Fighting Vehicles (AFV) and variants and upgrades for Indian defense and export markets
Munitions India Limited (MIL)	❖ Cooperation for Make in India Programmes for Ammunition and related products
Safran Electronics & Defence	❖ Domestic manufacture/upgrade of sensors for naval platforms, precision guide munitions (PGMs), etc.
Israel Aerospace Industries (IAI)	❖ Domestic manufacture of Weapon Systems
Aeronautical Design Agency (ADA)	❖ Joint development of Onboard Computer (IWBC) and other LRUs for Advanced Medium Combat Aircraft (AMCA)
Hindustan Shipyard Limited	❖ Joint development and manufacturing of subsystems for naval platforms, unmanned underwater systems, etc.
Mazagon Dock Shipbuilders Limited	❖ Joint development and manufacturing of indigenous materials/equipment for shipbuilding, submarine programs, and other platforms
Indian Institute of Science (IISc)	❖ Cooperation in areas of Artificial Intelligence (AI) and Machine Learning (ML)
Airports Authority of India (AAI)	❖ Joint development of Integrated Air Traffic Management (ATM) automation system and Advanced Surface Movement & Guidance Control System (ASMGCS)
University of Agriculture Sciences (UAS)	❖ Development of solutions for digital farming/agriculture
Smiths Detection Systems Pvt Limited	❖ Domestic manufacturing and supply of high-energy scanners
IIT Kanpur	❖ Joint development of various products
DIAT Pune	❖ M.Tech Course
IIT Palakkad	❖ M.Tech Course

Source: Company, Industry

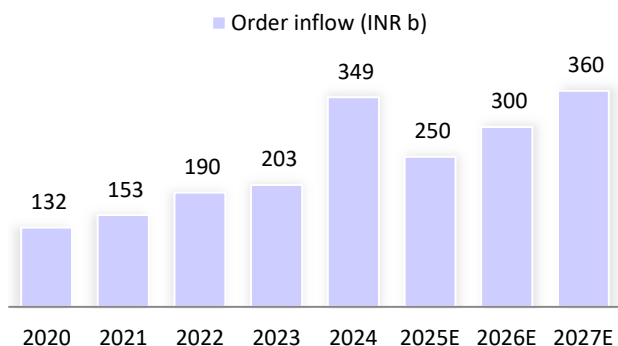
Exhibit 13: We tweak our estimates to bake in slightly lower order inflows

(INR m)	FY25E			FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Order inflow	2,50,000	2,68,000	(6.7)	3,00,000	3,21,000	(6.5)	3,60,000	3,85,000	(6.5)
Net Sales	2,34,163	2,36,484	(1.0)	2,74,568	2,85,055	(3.7)	3,23,368	3,36,024	(3.8)
EBITDA	58,800	59,383	(1.0)	68,946	71,580	(3.7)	81,201	84,379	(3.8)
EBITDA (%)	25.1	25.1	0 bp	25.1	25.1	0 bp	25.1	25.1	0 bp
Adj. PAT	48,198	48,645	(0.9)	57,649	59,686	(3.4)	69,623	72,170	(3.5)
EPS (INR)	6.6	6.7	(0.9)	7.9	8.2	(3.4)	9.5	9.9	(3.5)

Source: Company, MOFSL

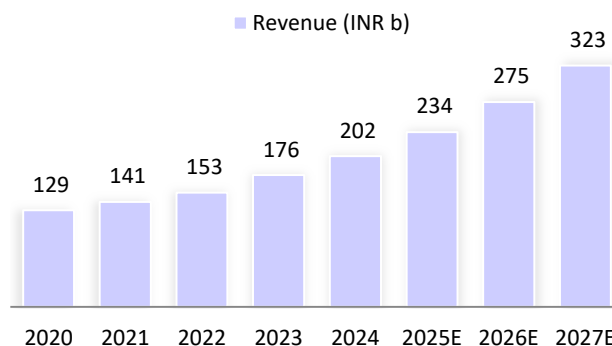
Financial outlook

Exhibit 14: We expect order inflows to decline in FY25 due to the high base of FY24



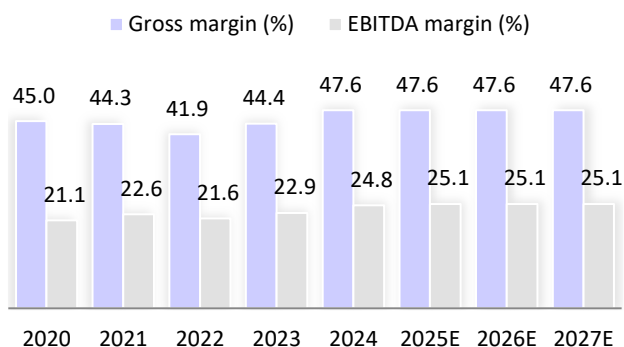
Source: Company, MOFSL

Exhibit 15: We expect a 17% revenue CAGR over FY24-27



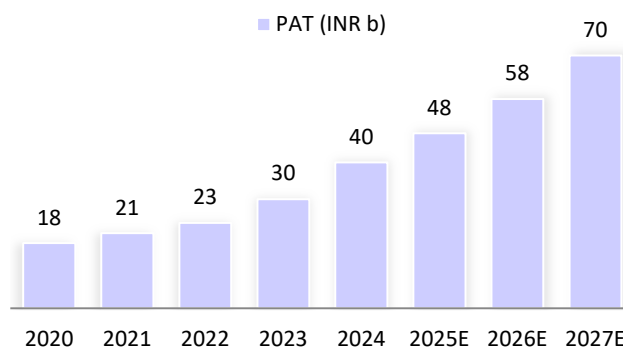
Source: Company, MOFSL

Exhibit 16: EBITDA margin to range around 25%



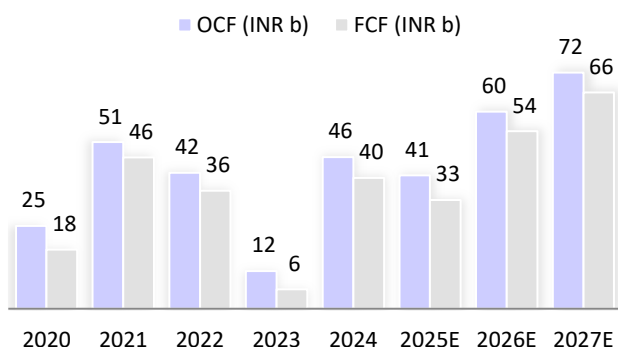
Source: Company, MOFSL

Exhibit 17: We expect a PAT CAGR of 20% over FY24-27



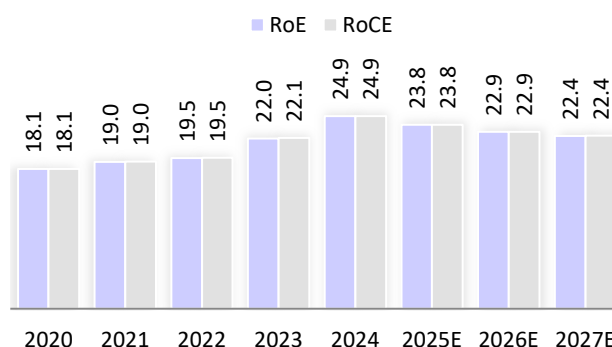
Source: Company, MOFSL

Exhibit 18: OCF and FCF to improve beyond FY25



Source: Company, MOFSL

Exhibit 19: RoE and RoCE to remain in the range of 22-23%



Source: Company, MOFSL

Valuations

BEL is currently trading at 35.0x/29.0x on FY26E/FY27E EPS. We tweak our estimates to bake in slightly lower ordering estimates and roll forward our TP to 35x Mar'27E.

We reiterate our BUY rating on the stock with a TP of INR360.

Financials and Valuation

Income Statement							(INR m)
Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Net Sales	1,40,638	1,53,138	1,76,462	2,01,694	2,34,163	2,74,568	3,23,368
Change (%)	8.8	8.9	15.2	14.3	16.1	17.3	17.8
Raw Materials	78,278	89,025	98,088	1,05,659	1,22,668	1,43,835	1,69,399
Gross Profit	62,360	64,113	78,374	96,035	1,11,495	1,30,733	1,53,969
Staff Cost	19,407	21,094	22,977	24,667	28,568	33,497	39,451
Other expenses	11,142	9,926	14,921	21,386	24,126	28,289	33,317
EBITDA	31,811	33,092	40,475	49,982	58,800	68,946	81,201
% of Net Sales	22.6	21.6	22.9	24.8	25.1	25.1	25.1
Depreciation	3,663	3,802	4,079	4,124	4,552	5,031	5,457
Interest	61	49	148	70	70	70	70
Other Income	1,261	2,336	3,600	7,558	9,782	12,655	16,717
PBT	29,348	31,578	39,849	53,346	63,960	76,500	92,390
Tax	8,694	8,089	9,782	13,146	15,761	18,851	22,767
Rate (%)	29.6	25.6	24.5	24.6	24.6	24.6	24.6
Adjusted PAT	20,654	23,489	30,067	40,200	48,198	57,649	69,623
Reported PAT	20,654	23,489	30,067	40,200	48,198	57,649	69,623
Change (%)	15.1	13.7	28.0	33.7	19.9	19.6	20.8

Balance Sheet							(INR m)
Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Share Capital	2,437	2,437	7,310	7,310	7,310	7,310	7,310
Reserves	1,06,331	1,18,055	1,29,146	1,54,116	1,95,303	2,44,566	3,04,061
Net Worth	1,08,768	1,20,492	1,36,455	1,61,426	2,02,613	2,51,876	3,11,371
Loans	-	-	-	-	-	-	-
Deferred Tax Liability	(4,634)	(6,207)	(5,034)	(5,742)	(5,742)	(5,742)	(5,742)
Capital Employed	1,04,134	1,14,285	1,31,422	1,55,684	1,96,871	2,46,134	3,05,629
Gross Fixed Assets	45,103	50,090	55,847	60,414	67,914	73,914	79,914
Less: Depreciation	16,448	20,250	24,328	28,453	33,005	38,036	43,493
Net Fixed Assets	28,655	29,840	31,518	31,962	34,909	35,878	36,421
Capital WIP	3,507	3,986	3,616	4,538	4,538	4,538	4,538
Investments	13,313	15,543	6,645	7,678	7,678	7,678	7,678
Curr. Assets	2,40,423	2,78,924	3,03,732	3,41,637	4,17,552	5,12,056	6,26,820
Inventory	49,547	55,669	64,121	74,076	85,325	1,00,048	1,17,830
Debtors	65,515	61,034	70,220	73,622	93,024	1,09,075	1,28,461
Cash & Bank Balance	50,082	74,991	80,090	1,09,681	1,35,915	1,81,822	2,37,892
Loans & Advances	527	88	83	84	642	752	886
Other Current Assets	74,752	87,142	89,219	84,174	1,02,647	1,20,358	1,41,750
Current Liab. & Prov.	1,81,764	2,14,008	2,14,089	2,30,131	2,67,806	3,14,016	3,69,828
Liabilities	1,64,265	1,91,851	1,99,468	2,13,630	2,48,649	2,91,554	3,43,373
Provisions	17,499	22,157	14,621	16,500	19,157	22,462	26,454
Net Current Assets	58,659	64,916	89,643	1,11,506	1,49,746	1,98,040	2,56,992
Application of Funds	1,04,134	1,14,285	1,31,422	1,55,684	1,96,871	2,46,134	3,05,629

Financials and Valuation

Ratios

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Adjusted EPS	8.5	9.6	4.1	5.5	6.6	7.9	9.5
Growth (%)	15.1	13.7	-57.3	33.7	19.9	19.6	20.8
Cash EPS	10.0	11.2	4.7	6.1	7.2	8.6	10.3
Book Value	44.6	49.5	18.7	22.1	27.7	34.5	42.6
DPS	3.4	4.2	1.7	0.8	1.0	1.1	1.4
Payout (incl. Div. Tax.)	40	44	41	15	15	15	15
Valuation (x)							
P/E (standalone)	32.6	28.6	67.1	50.2	41.9	35.0	29.0
Cash P/E	27.7	24.6	59.1	45.5	38.2	32.2	26.9
EV/EBITDA	19.6	18.1	47.9	38.2	32.0	26.6	21.9
EV/Sales	4.5	4.0	11.2	9.5	8.0	6.7	5.5
Price/Book Value	6.2	5.6	14.8	12.5	10.0	8.0	6.5
Dividend Yield (%)	1.2	1.5	0.6	0.3	0.3	0.4	0.5
Profitability Ratios (%)							
RoE	19.0	19.5	22.0	24.9	23.8	22.9	22.4
RoCE	19.9	20.5	23.5	27.0	26.5	25.4	24.7
RoIC	38.9	76.5	90.3	92.3	99.1	95.5	106.1
Turnover Ratios							
Debtors (Days)	170	145	145	133	145	145	145
Inventory (Days)	129	133	133	134	133	133	133
Fixed Asset Turnover (x)	3.1	3.0	3.1	3.3	3.4	3.7	4.0

Cash Flow Statement

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
PBT before Extraordinary Items	29,348	31,578	39,849	53,346	63,960	76,500	92,390
Add : Depreciation	3,663	3,802	4,079	4,124	4,552	5,031	5,457
Interest and others	750	(1,241)	(2,046)	5,516	70	70	70
Less : Direct Taxes Paid	5,323	8,024	9,150	14,130	15,761	18,851	22,767
(Inc)/Dec in WC	22,597	15,498	(21,179)	(2,376)	(12,006)	(2,387)	(2,882)
CF from Operations	51,035	41,612	11,552	46,480	40,815	60,364	72,268
CF from Operations after EOI	51,035	41,612	11,552	46,480	40,815	60,364	72,268
(Inc)/Dec in FA	(4,664)	(5,461)	(5,621)	(6,423)	(7,500)	(6,000)	(6,000)
Free Cash Flow	46,371	36,151	5,931	40,057	33,315	54,364	66,268
(Pur)/Sale of Investments	(1,094)	(43,145)	33,442	(52,465)	-	-	-
CF from Investments	(5,758)	(48,606)	27,820	(58,888)	(7,500)	(6,000)	(6,000)
(Inc)/Dec in Network	(83)	-	-	-	-	-	0
(Inc)/Dec in Debt	(16)	-	-	-	-	-	-
Less : Interest Paid	431	539	697	128	70	70	70
Dividend Paid	10,227	10,233	12,424	14,615	7,011	8,386	10,128
CF from Fin. Activity	(10,757)	(10,772)	(13,121)	(14,743)	(7,082)	(8,456)	(10,198)
Inc/Dec of Cash	34,519	(17,766)	26,251	(27,152)	26,234	45,907	56,070
Add: Beginning Balance	15,562	50,082	74,991	80,090	1,09,681	1,35,915	1,81,822
Other Adjustments	-	42,675	(21,153)	56,743	-	-	-
Closing Balance	50,082	74,991	80,090	1,09,681	1,35,915	1,81,822	2,37,892

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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